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GENERAL SHOE CORPORATION

NASHVILLE, TENNESSEE

FOR THE YEAR ENDED OCTOBER 31, 1941

FRANKFORT
KENTUCKY
OHIO RIVER
MISSISSIPPI RIVER
CUMBERLAND RIVER
GALLATIN
NASHVILLE
TENNESSEE
HOHENWALD
LEWISBURG
TULLAHOMA
PULASKI
COWAN
TENNESSEE RIVER
GEORGIA
ATLANTA
LAWRENCEVILLE

GENERAL SHOE CORPORATION

NASHVILLE, TENNESSEE

ANNUAL REPORT

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FOR THE YEAR ENDED OCTOBER 31, 1941

NINETEEN FORTY-ONE

The total volume of business of General Shoe Corporation for the business year which ended October 31, 1941 was $26,184,681. Of this total amount, business transacted within the Company consisting of products produced for our own use amounted to $2,455,482. This leaves net sales to customers during the year of $23,729,199. This compares with net sales to customers during the previous year of $17,462,085 which is an increase of 35.9%. Total pairs of shoes produced during the year was the largest in the history of the Company and amounted to 9,630,000 pairs.

Earnings per share on the Common stock outstanding on October 31, 1941 after making provisions for preferred dividends amounted to $1.63 per share. Total net profit for the year amounted to $1,064,151.

Profits on the manufacturing of products that go into the making of shoes within our Company amounted to 5.8% of the value of those products. Deducting that from the total profit of the Company leaves a net profit of approximately 9½c per pair of shoes manufactured.

The average wholesale price of the shoes manufactured during the year was $2.42 which represented an increase of 8c per pair over the average price of all shoes manufactured during the previous year. However, during the year there was a continuous advance in prices so that at the end of the year, average prices of shoes that were being manufactured were approximately 10% higher than at the end of the previous year. Prices have already been established on shoes for Spring delivery and these represent still further advances. The increase in prices is due to considerable increases in the cost of all raw materials, increase in the cost of labor, and very much higher taxes.

Total net worth of the Company at October 31, 1941, was $7,693,942 as compared with $7,243,137 a year ago. Net working capital, the difference between current assets and current liabilities, has risen to $6,499,223 as compared with $6,141,485 at the end of the previous year. The current ratio, which compares current assets with current liabilities is 8.38 to one. Cash of $1,464,931 is considerably in excess of total liabilities of $880,885. Included in current liabilities is provision for taxes of $513,107. Total book value of the Common stock, including reserves, was $11.64 per share and net quick assets value of the Common stock was $9.58 per share. Dividends paid during the year amounted to 90c per share on the Common stock. Regular dividends were paid on the Preferred stock.

Provision has been made for federal taxes and all other taxes. As our fiscal year began November 1, 1940, new tax laws passed by Congress this year are not applicable to this year's earnings. The new tax laws passed this year, applicable to earnings for the year beginning November 1, 1941 will probably take an increasing percentage of gross profits. Values placed on inventories represent cost or market, whichever is lower. Reserves which we believe to be ample have been set up for doubtful accounts, collection expense and discount. It is believed that adequate provision has been made for depreciation and amortization of plant, equipment and improvements.

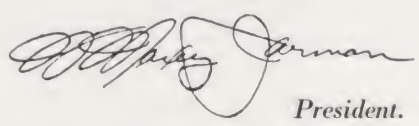
As is customary we have made commitments with a number of sources of supply covering for a good portion of the raw materials required during the current season. The market on raw materials is quite strong at the present time, and although total supplies of raw materials in the industry are somewhat below normal and it is frequently difficult to secure the particular grades and character of raw materials that are desirable, yet it is believed that there are adequate supplies available to take care of requirements.

Approximately 6% of the Company's volume of business during the past year has been on military shoes for the United States Government. Due to the tremendous demand for the products of the Company during the past year, military production has reduced the number of shoes available to our regular civilian customers. It is felt, however, that our Company should at all times hold its facilities available for the requirements of national defense. We have cooperated with the defense program in every way possible, and we believe that the volume of defense business of our Company has been about in proportion to that handled by other large producers.

The past year has been the largest in the history of the shoe industry and our Company has participated in this increased volume. Our factories have had great demands on them for the production of increased quantities of shoes at a steady pace throughout the year. These operating schedules have been maintained by our organization in a very splendid way. Our salesmen, as is customary, have been out offering shoes for Spring delivery for the past several weeks and orders have been coming in at a rate greater than anything we have seen before; orders on hand are at a higher level than we have ever had at this time of the year, and it would seem that volume will continue to increase during the coming season. Prices are continuing to advance due to rising costs, and these advancing prices will show up in the prices of retail stores as present stocks of merchandise are used up.

Due to the increase in the volume of our business and still further increases that are anticipated, coupled with higher costs of materials and rising expenses of operation, it has seemed desirable to arrange for additional working capital. Therefore our Company has filed with the Securities and Exchange Commission a registration statement covering $2,500,000 of 15-year 3¼% debenture bonds, with a sinking fund of $150,000 a year. Smith, Barney & Co. of New York will be the principal underwriters. Proceeds of the sale of the debentures will be added to the Company's general funds.

Our organization has a fine spirit of cooperation and enthusiasm and is ready and alert for changing conditions as they arise.



President.

December 22, 1941.

GENERAL SHOE CORPORATION

CONSOLIDATED BALANCE SHEETS

AS AT OCTOBER 31, 1941 AND 1940

ASSETS	*October 31, 1941*	*1940*
CURRENT ASSETS:		
Cash in Banks and on Hand	$ 1,464,931.47	$ 1,130,598.89
Customers Accounts Receivable, less Reserve for Doubtful Accounts and Discounts	2,494,837.31	2,506,638.13
Miscellaneous Accounts Receivable, including due from Salesmen	43,560.87	52,585.68
Inventories—Finished Shoes and Work in Process valued at Approximate Cost; Raw Materials and Special Merchandise at the Lower of Cost or Market:		
Finished Shoes	1,341,992.31	1,198,582.25
Raw Materials, Merchandise in Process, and Special Merchandise	2,034,787.38	1,703,771.14
TOTAL CURRENT ASSETS	$ 7,380,109.34	$ 6,592,176.09
Investment—Stock in Outside Company	20,000.00	0.00
Employee Stock Purchase Accounts	100,317.43	92,050.79
Real Estate	61,100.23	56,500.23
Buildings, Machinery and Equipment, and Improvements to Leased Properties	1,899,746.73	1,714,239.07
Less—Reserve for Amortization and Depreciation	692,925.79	581,619.62
	$ 1,206,820.94	$ 1,132,619.45
Goodwill, Patents, and Trade Marks	$ 1.00	$ 1.00
TOTAL	$ 8,768,348.94	$ 7,873,347.56
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable for Merchandise, Expenses, etc.	$ 79,423.26	$ 72,848.11
Officers and Others Balances and Deposits	33,704.09	39,386.14
Accrued Royalties, Payrolls, and Taxes	254,650.03	173,273.38
Provision for Federal and State Income and Excess Profits Taxes	513,107.98	165,183.32
TOTAL CURRENT LIABILITIES	$ 880,885.36	$ 450,690.95
Reserve for Retirement, Insurance, and Contingencies	193,521.98	179,519.81
CAPITAL STOCK:		
Preferred Stock without Par Value—Authorized and Issued or to be exchanged for old shares—99,260 shares redeemable at $7.50 per share and having a Liquidating Value of $5.00 per share; entitled to Cumulative Dividends of 40c per share	496,300.00	496,300.00
Common Stock—Par Value $1.00 per share; Authorized 1,200,000 shares, Outstanding October 31, 1941 (after deducting 3,540 shares in Treasury) 626,671 shares; October 31, 1940 (after deducting 2,495 shares in Treasury) 627,716 shares	626,671.00	627,716.00
Paid-In Surplus	3,640,845.98	3,649,267.02
Earned Surplus	2,930,124.62	2,469,853.78
TOTAL	$ 8,768,348.94	$ 7,873,347.56
Net Working Capital	$ 6,499,223.98	$ 6,141,485.14
Current Ratio	$ 8.38 to 1	$ 14.63 to 1

GENERAL SHOE CORPORATION

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

FOR THE YEARS ENDED OCTOBER 31, 1941 AND 1940

	Year Ended October 31, 1941	1940
Sales, less Returns and Allowances	$ 23,729,198.87	$ 17,462,084.78
Less—Discount on Sales	236,055.76	175,274.27
	$ 23,493,143.11	$ 17,286,810.51
Cost of Goods Sold	18,692,641.48	13,898,946.90
GROSS PROFIT ON SALES	$ 4,800,501.63	$ 3,387,863.61
Selling, General, and Administrative Expenses and Provision for Doubtful Accounts	3,218,463.12	2,527,849.60
NET OPERATING PROFIT	$ 1,582,038.51	$ 860,014.01
MISCELLANEOUS INCOME AND CREDITS:		
Interest Received and Service Charges, etc.	13,752.43	21,110.18
Refund of Federal Income Tax and Interest for year 1937	0.00	50,990.69
	$ 1,595,790.94	$ 932,114.88
MISCELLANEOUS CHARGES:		
Interest on Bank Loans	$ 7,911.65	$ 7,297.98
Provision for Contingencies	13,200.00	13,200.00
Miscellaneous	828.45	0.00
TOTAL MISCELLANEOUS CHARGES	$ 21,940.10	$ 20,497.98
NET INCOME BEFORE INCOME TAXES	$ 1,573,850.84	$ 911,616.90
Provision for Federal and State Income and Excess Profits Taxes	509,700.00	159,300.00
NET INCOME	$ 1,064,150.84	$ 752,316.90

Depreciation and Amortization of Plant, Equipment, and Improvements, included above in Cost of Goods Sold and in Selling, General, and Administrative Expenses amounted to $326,507.55 for 1941, and $267,262.65 for 1940.

CONSOLIDATED SURPLUS ACCOUNTS

Earned Surplus

Consolidated Earned Surplus at beginning of year	$ 2,469,853.78	$ 2,385,515.98
Consolidated Net Income for the year	1,064,150.84	752,316.90
	$ 3,534,004.62	3,137,832.88
Deduct—Dividends Paid in Cash:		
Preferred—40 cents per share	$ 39,704.00	$ 39,704.00
Common—Years ended October 31, 1941 and 1940, 90 cents per share and $1.00 per share, respectively	564,176.00	628,275.10
	$ 603,880.00	$ 667,979.10
Consolidated Earned Surplus at end of year	$ 2,930,124.62	$ 2,469,853.78

Paid-In Surplus

Consolidated Paid-In Surplus at beginning of year	$ 3,649,267.02	$ 3,644,423.94
Premium on Purchase and Sale of Common Stock (Net)	(8,421.04)	4,843.08
Consolidated Paid-In Surplus at end of year	$ 3,640,845.98	$ 3,649,267.02

ACCOUNTANTS' REPORT

To the Board of Directors,
General Shoe Corporation,
Nashville, Tennessee.

We have examined the Consolidated Balance Sheet of the General Shoe Corporation and Subsidiary Companies, as of October 31, 1941, and the statements of Consolidated Profit and Loss and Surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the Companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Under the customary terms of the rental and royalty agreements covering machinery leased by the Parent Company, it is liable to the lessor for deferred license fees amounting to $185,089.26 (net) as of October 31, 1941, which are payable when such machinery is returned to the lessor, together with all return freight and repair charges.

In our opinion, the accompanying Consolidated Balance Sheet and related statements of Consolidated Profit and Loss and Surplus present fairly the consolidated position of the General Shoe Corporation and Subsidiaries at October 31, 1941 and the results of the operations for the fiscal year, in conformity with generally accepted accounting principles applied on the basis consistent with that of the preceding year.

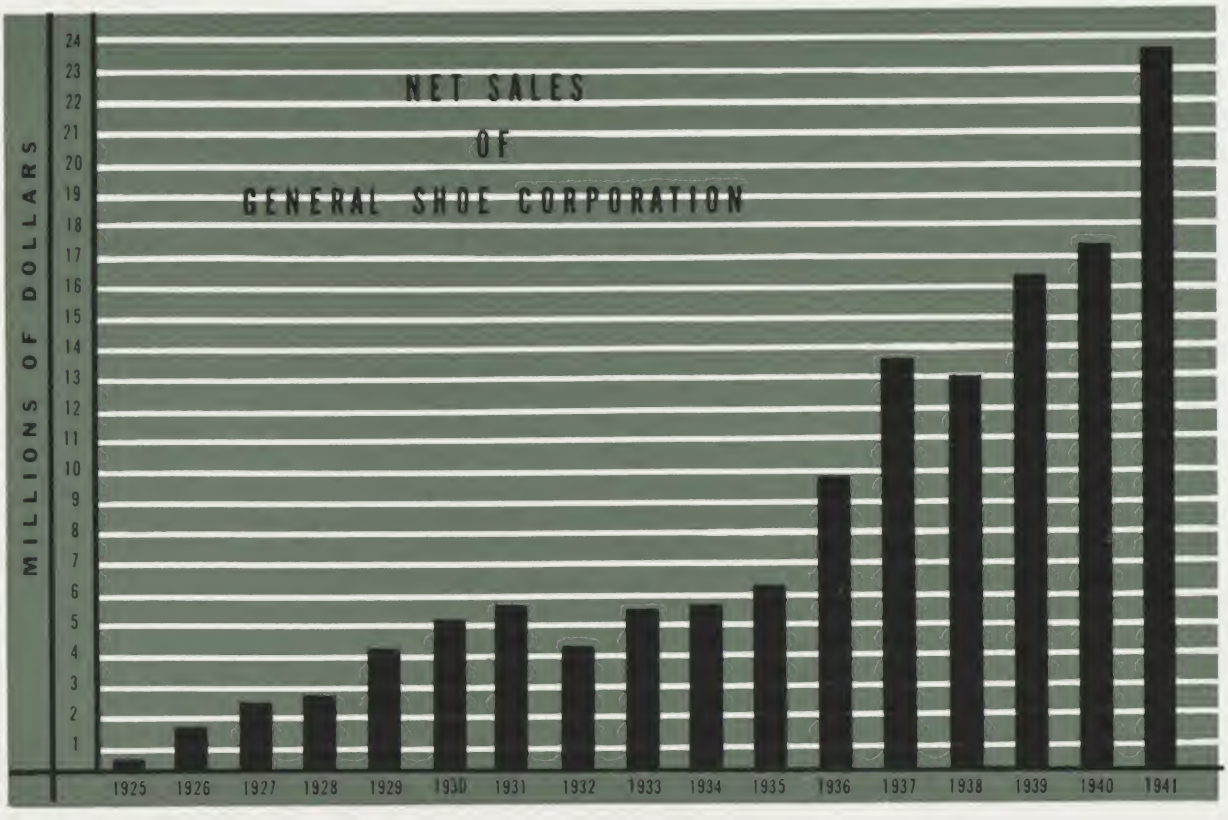
Peat, Marwick, Mitchell & Co.

St. Louis, Missouri
November 24, 1941.

COMMENT ON OPERATIONS

Each year it is the purpose of the management of General Shoe Corporation to furnish additional background information about the policies and operations of the Company so that a more complete picture can be readily obtained of the Company as it really is than is available just from an examination of the financial statements.

With a company whose stock is distributed among a large number of stockholders such as our Company, it is important that management recognize its responsibility, not only to the owners of the business as represented by the stockholders, but also its responsibility to the employees and to the public that is served by the Company. The operations of the Company must be so co-ordinated and balanced that the service rendered by the company to the public, the relationship with employees, and the return on the stockholders' investment will all fit in with each other in the best sort of way. The interests of these various groups are not opposed to each other, because the greatest amount of good to each one of these groups will develop when there is the proper sort of co-ordination and balance among them. Certainly it is to the best interest of the stockholders that the policies of the Company are such that the best class of workmen are attracted to the Company and furthermore that working conditions and relationships are such that workmen will be able to put forth their very best efforts to properly perform their jobs. It is essential to the interest of the employees that the Company be operated in such a way that its prices are competitive, products are acceptable and desirable to the trade, and that the Company is properly financed so that it can keep abreast of developments



within the industry and furnish consistent and steady employment. Thus management must have a very definite responsibility to everyone connected with the operation in every way. With this fundamental principle, the management of this Company is constantly striving to formulate its general policies and to so conduct the business in a balanced way that all interests will be served to the greatest advantage.

History

General Shoe Corporation grew out of Jarman Shoe Company which was established in July, 1924 with a small factory in Nashville, Tennessee. The original operation consisted of only one grade of men's shoes retailing at a popular price. The shoes were all made in one plant and distributed to the retailers throughout the United States. The original capital was approximately $130,000.

The business grew rapidly due to the ready acceptance of its products, the aggressive policies of the Company and the principles of fair dealing on which the Company is established. From time to time other lines and grades of shoes were added and additional factories were established in other towns outside of Nashville. Due to the fact that the Company had several sales divisions operating under different names, and one of these divisions operating under the name Jarman Shoe Company, it was felt desirable to change the name of the corporation, so in 1933 the name was changed to General Shoe Corporation and the name Jarman Shoe Company was continued as one of the important sales divisions. Primarily the organization has been developed from within, and most of the executives of the Company have come from men trained in the Company.

OVER 9½ MILLION PAIRS IN ONE YEAR: *During the fiscal year just ended all divisions of General Shoe Corporation manufactured 9,630,000 pairs of shoes.*

Expansion of the business has been financed to quite some extent by the earnings of the Company re-invested in the business, but also some Common stock has been sold locally, and in February, 1939, Smith, Barney & Co. of New York headed a group of underwriters and sold approximately $2,000,000 worth of Common stock, which money was added to the working capital of the Company. The Common stock is listed on the New York Stock Exchange and the St. Louis Stock Exchange. The Company has made a profit every year it has been in business.

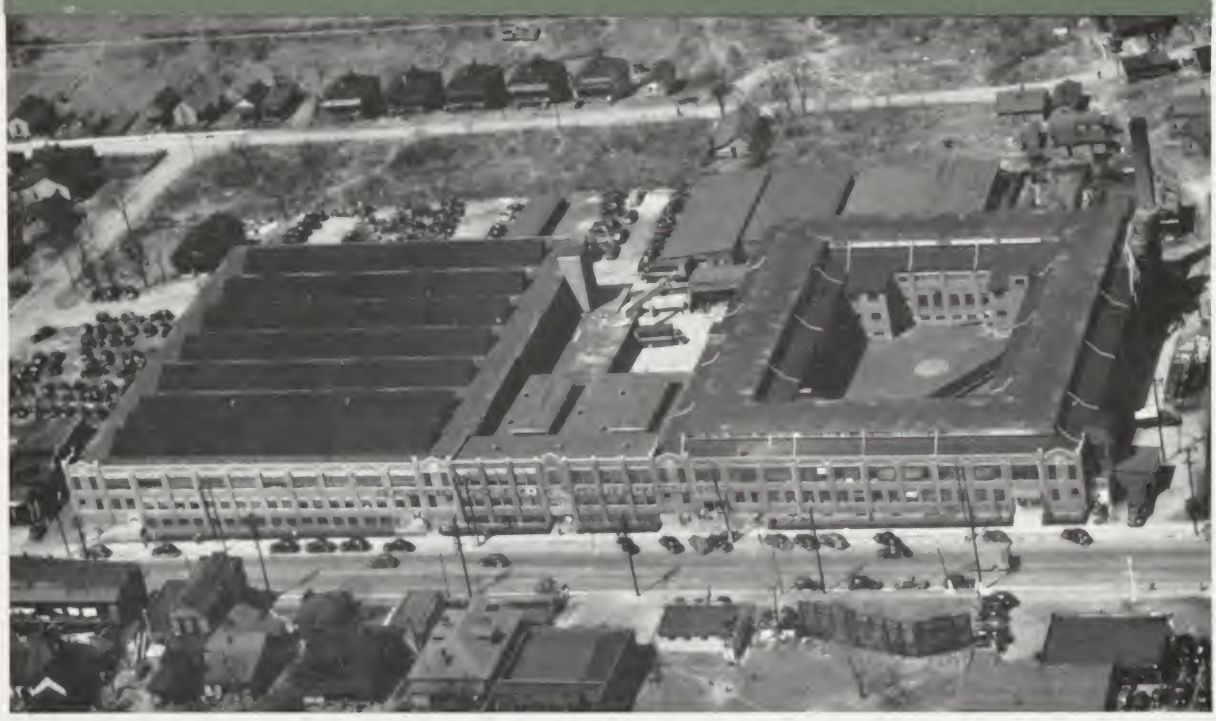
Description of Operations

The Company now operates eleven shoe factories and one additional plant for the production of cut soles. One plant is located in Kentucky, nine in Tennessee and two in Georgia. The types of shoes now produced include a broad cross section of the volume lines of shoes, retailing chiefly at popular prices. The men's dress lines, the most important units of the Company, retail from $4.00 to $8.85. The women's shoes, which include some style shoes, arch type shoes, walking oxfords and growing girls' shoes, retail from $3.50 to $6.00. Other lines include work shoes, boys' shoes, riding boots and other types of boots and children's shoes. Each particular factory is adapted to certain types of shoes with sufficient flexibility to keep factories operating at good efficiency, and at the same time to provide the economies that arise from specialized mass production.

Peak production reached during the past year was approximately 42,700 pairs per day, although with arrangements now being worked out, capacity production is now approximately 45,000 pairs per day.

All of the factories have been operated only on one shift until this year. This has been customary in the shoe industry as due to problems in the manufacture of shoes it has not generally been considered feasible to operate more than one shift. However, during the past year we have worked out plans for putting one of our plants on a two-shift basis, and this has worked out very satisfactorily. It is felt that as the need arises for additional production a good part of

General Shoe Corporation's headquarters and main factory in Nashville, Tennessee.



the requirements can be taken care of by extra shift operations.

The greater part of the shoes produced by the Company is distributed through independent retailers in all sections of the country. A good part of this business is handled with stock departments located in Nashville, Tennessee; Atlanta, Georgia; and Cowan, Tennessee. In certain types of men's shoes and a good many of the women's style shoes, these are made up to the customer's individual order rather than being carried in stock. Shoes sold to the larger chain store operators, including mail order houses, are on a basis of shoes made up to their order and specifications and under their brand names. The Company also operates, itself or through subsidiaries, in certain of the larger cities, a number of retail stores handling only men's shoes. These retail stores service some of the larger cities, in many of which other manufacturers also have their retail outlets, and these stores provide a contact with the public which is very helpful in setting up various lines of shoes.

The Company operates through several different sales divisions, each one acting as a separate unit, distributing certain types of shoes, and servicing a certain class of trade. This specialization is very important in building leadership of the various lines produced by the Company. It provides a distinct organization, concentrating on certain specialized problems for that particular type of operation, putting their whole thought, effort and attention on the development of that particular line in its particular field. Certain brand names of the Company have been firmly established over a long period of years through national advertising. This continues to play an important part in the distribution of these lines. One of our advertisements is shown in this report. Advertising is being done right along in national publications, and it is the policy of the Company to establish the leadership of its brands by national advertising and through other helps for the dealer building up his distribution on our shoes.

Most of the products of the Company are in the popular price fields. Nevertheless the Company has always maintained very high standards of quality in every plant. By setting up its various divisions on a specialized basis to handle just one type of product, and with an organization

responsible for the development of that particular division, it has been possible to keep in close touch with the requirements of the trade and to avoid the waste that sometimes occurs in large organizations. This set-up helps us to produce unusual values in line with the requirements and desires of our customers. By careful study to eliminate as far as possible seasonal peaks during the year, the Company keeps a fairly uniform level of production which holds overhead at a minimum, and this also is an important factor in making possible unusual values.

A remarkable record is being established by the Tullahoma, Tennessee plant, as can be attested by the sign in the picture below. Credit is due Superintendent Wilbon Marlin (first on the left) and his splendid group of foremen.

The Company has at all times made it a policy to have the very newest and most up-to-date equipment, and this policy has again made possible higher standards of quality and value. We also maintain very close contact with our various sources of supply to be sure that the materials that we purchase are up to our standard.

Materials Supply Situation

Neither shoes nor leather, the principal raw material used in the manufacture of shoes, have been placed on the critical list by the Office of Production Management. Shoe factories in general do not have a priority rating, but in line with the recently expressed policy of the Supplies, Priority and Allocations Board of keeping all plants in good running order, the use of an A-10 priority rating to obtain maintenance and repair materials has been granted to this Company as well as to most other manufacturing companies. So far, there has not been any serious difficulty in obtaining materials, although in some cases it has not been possible to obtain just the character of materials that we have been accustomed to using. It is possible that shortages may develop in certain lines such as shipping boxes, cartons, nails, rubber, steel shanks, latex, power and fuel, and perhaps other items that have not shown any indications as yet of having any shortage. However, it is felt that arrangements can be made to take care of any condition that may come up along this line so that there will be no interruption of production and so that the products may be maintained on a satisfactory basis.

Our Company has always had a very satisfactory relationship with its sources of supply, and the fine cooperation that we have received from these sources of supply is evidence of this continued good relationship.

ARMY SHOES: *General Shoe Corporation has been making its share of Army shoes from the beginning. During the past fiscal year the Company manufactured 444,238 pairs. It is estimated that the government will require 20,000,000 pairs of shoes in the next 12 months.*

Defense Work

It is believed that there are supplies of leather and all other raw materials to take care of any requirements that the Government might place upon shoe manufacturers, and also that the facilities of the shoe industry are such that any requirements for military shoes that have been discussed so far could be taken care of by the industry without serious dislocation. The entire shoe industry this year will probably produce around 475 million pairs of shoes of all kinds. Of this number, the United States Government will take for defense purposes an estimated 15 million pairs. Estimates from the OPM have indicated that the Government might possibly require during the coming year as many as 20 million pairs of shoes for defense purposes.

During the past year our Company has been

making some army shoes. The value of these army shoes produced for the Government has been approximately 6% of our total volume of business. Most of the army shoes produced for the Government have been of a type called service shoes. This is a heavy high shoe, unlined, which somewhat corresponds to a work shoe. Our Company has also made some of the new garrison type oxfords which is a low quarter shoe of a similar type to street shoes worn by civilians.

Our Company has, during the past year, lost some of its employees for service in the military forces of the country. Some of these men are already returning to work, having served their time in the army or other military forces, and others are going out from time to time. The number of men taken, however, has not been serious and has caused no dislocation in the work, although it has increased the expense of training operators who take the place of these men going into the military forces. Approximately 50% of our employees are women who of course are not affected by calls for military service. The construction of army camps and strictly defense production in nearby localities in some cases has caused competition for workers in certain communities, but our organization has been very loyal and has shown by this loyalty that the working conditions and the value of a steady job over the years have been important factors for them to take into consideration.

Accounting Methods

Our Company has always been extremely conservative in its accounting, and at the same time has felt its obligation to report the facts just as they existed to the stockholders and others. We continue to price inventories at cost or market, whichever is lower, and use the basis of first in, first out, feeling that this method of accounting is the most desirable for our operation. It has been the practice of our Company to take a physical inventory at the end of every month so that it is possible for the management to keep in very close contact with the operation of every division of the business and to exercise the proper sort of control. Quarterly reports on the sales and profits are released shortly after the end of each quarter's operation. Normally Common

Typical of the type of retail stores operated by the Company is this store located on 42nd Street in New York City.

stock dividends are considered during the first part of January, April, July and October, and the practice has been for these dividends to be payable, when declared, at the end of those months.

Employee Relations

In keeping with the trend, the Company has endeavored to have its industrial relations program up-to-date in every respect. More time and

TWO PAIRS PER MINUTE

A thousand pairs sold in one day sets a new high for retail acceptance. That's the record of a Company owned Flagg Bros. store in the heart of one of America's largest metropolitan cities.

thought are given to this subject than ever before by all the executives of the Company.

The steadily increasing production of the Company necessitated the addition of many new employees. Extreme care is exercised in the selection of all employees. We feel it is important that we attract the most desirable applicants, selecting only the best from the group. To do this, we realize we must make the working conditions the most desirable of any employer of labor in the community where we operate.

Robert Eaves, Jarman Cutting Room—a typical General Shoe Corporation employee. Bob represented Nashville recently on Major Bowes' Amateur Hour, playing a famous classical number on the harmonica.

The management has always endeavored to recognize the paramount importance of fair dealings with employees. In this light the employee relations program is built around what are termed the four chief requisites of a satisfied worker or group of workers:

Job security
Fair wage scale
Employee welfare
Safe and sanitary working conditions

It is the policy of the Company to provide as much assurance of job security as can possibly be done and to develop its employees for better jobs as fast as new jobs open up. The Company, by its steady growth, has been able to promote its employees much faster than a Company that has reached its peak production. No supervisor may discharge an employee. He may lay him off for a short period but final action for discharge rests with the Board of Directors of the Company.

NO DELAY: *An important factor in servicing General Shoe Corporation dealers is the fast handling of mail orders. On the average, from 95 to 100% of all mail orders are shipped on the day received!*

Production is scheduled to provide year around work wherever possible. Length of service is the determining factor in promotions and layoffs where other working qualifications and conditions are comparable. Labor turnover has been very low in comparison with the industry.

It has always been the management's policy to pay a wage scale commensurate with the shoe industry as a whole and higher than the community rate of pay for like work in sections where our plants are located. Increases amounting to an average of over 15% have been put into effect during the past year.

The Company's doctor and hospitalization plan, which participates equally with employees in cost where such services are needed; the Benefit Association which provides compensation for employees while away from the job due to sickness or outside accidents; the vacation plan, a week's vacation with pay to employees with a certain length of service of record; and group insurance, with the Company paying part of the cost, are some of the features of a well-rounded employee welfare program. Other social, athletic and recreational activities help materially to add to our employees' every day work life.

The twelve plants of the General Shoe Corporation are considered by many to be the most modern plants in the industry. Safety engineers and employees constantly observe and inspect plant operations and conditions with a view to eliminating safety hazards and to improving health and sanitation conditions. Today, General Shoe Corporation enjoys one of the most enviable safety records in the shoe industry. One of our plants recently passed the 5,500,000 man hour mark without a lost time accident.

Cost of Government

Corporations are bearing an increased taxation load from year to year. With greatly increased

governmental expenditures, and a much heavier tax burden, it is natural to suppose that our taxes will become heavier and heavier. No purpose is served by complaining about taxes, however, as long as we encourage our government to spend additional amounts of money and as long as this seems to be a requirement. Nevertheless, it is well to keep before us what a load this is putting upon the operation of productive business and to consider from time to time if the load is properly distributed and balanced. Corporations offer an easy method of taxation because they are not articulate in a political way, and the public does not realize that it is paying these taxes that are placed upon corporations. Corporations, of course, cannot pay taxes out of their own resources but of necessity must pass them on, either in the form of higher prices for their products, or having less money available for wages or for stockholders. Certainly with the high expenditures of our Government we must see that taxes are raised to meet this expense as nearly as possible, but great care should be taken to avoid crippling productive effort by heavy tax loads which are to a large extent hidden from the general public. Taxes that act as a brake upon the effort to increase production certainly are not beneficial to the country.

Interior view of Company owned Flagg Bros. store in Hartford, Connecticut.

Looking Ahead

Forecasts for the coming year indicate a continuing increasing volume of business. A large part of this dollar increase will probably be due to the higher prices which are now in effect on the products of the Company, but it is expected that there will also be some increase in the number of units manufactured by the Company. The Company does not plan any new plants at this time, but is in process of expanding the capacity of certain of its plants by increasing the manufacturing facilities and by training additional employees. It is expected that some new retail outlets may be leased in certain of the larger cities as opportunities develop. The Company, as has been its custom in the past, pursues a conservative policy on inventories and purchase commitments, feeling that it is important to keep itself in a flexible position and that it is best to avoid speculative profits or losses as far as is possible.

The Annual Stockholders Meeting of the Company will be held in Nashville, Tennessee, at the general offices of the Company, on March 2, 1942.

The Company has a splendid organization, well balanced in experience and youth. Great attention has been paid to the development of men within the Company so as to have well-qualified capable men to take on additional responsibilities as the need develops.

DISTRIBUTION: *Approximately 20,000 dealers, located in every state of the Union and in many foreign countries, sell the products of General Shoe Corporation.*

THE PRODUCTS:

MEN'S SHOES

The best known, highest grade shoes manufactured by General Shoe Corporation are Jarman Shoes for Men—quality shoes with a name made familiar throughout the United States by consistent national advertising in magazines such as Life, Saturday Evening Post, Collier's, Time and Esquire. Also nationally advertised and nationally known are Fortune Shoes for Men. Both are leaders in their particular price ranges.

The Company manufactures several different lines of men's shoes with retail prices ranging from $2.50 to $8.85. The types range from heavy work shoes and boots to highly styled shoes for street and dress wear. Among the brand names besides the two mentioned above are: Churchill, Winfield, Tredfleet, Statler, Flagg Bros., John Hardy, John Million, Joy Rider, Gaylord. Several of the lines are also sold to independent retailers under their own private brand names.

WOMEN'S SHOES

Betty Barrett and Friendly Shoes for Women are the Company's leading women's brands. Both are advertised in Mademoiselle and other women's style magazines. Other lines are manufactured and sold under private brand names or the Company's own names—Pre-Vue, Edgewood and Sewanee. Retail prices range from $3.45 to $5.00, with some styles higher.

CHILDREN'S SHOES

Skyrider Shoes for Boys have had national advertising and distribution since 1932. It is one of America's foremost brands of shoes for boys whose ages range from 6 to 15. Only within the last two years has the Company been making shoes for younger children. The Acrobat and Play Pal brands take care of the requirements of both boys and girls, aged 3 to 8. Retail prices range from $2.45 to $4.45.

GENERAL SHOE CORPORATION

DIRECTORS

William M. Blackie
Henry W. Boyd, Jr.
Earle T. Bumpous
W. Maxey Jarman
J. Harlan Lawson
George W. Noland
James P. Saunders
William H. Wemyss

OFFICERS

W. Maxey Jarman	*President*
William H. Wemyss	*Executive Vice-President*
Henry W. Boyd, Jr.	*Vice-President and Treasurer*
J. Harlan Lawson	*General Manager*
William M. Blackie	*Vice-President*
Earle T. Bumpous	*Vice-President*
George W. Noland	*Vice-President*
James P. Saunders	*Secretary*
Otis C. Williams	*Auditor*
Charles W. Cook	*Assistant Vice-President*
Houghton D. Vaughn	*Assistant Vice-President*
Anderson W. Spickard	*Assistant Treasurer*
Noble C. Caudill	*Assistant Secretary*

Transfer Agents: Guaranty Trust Company of New York, New York, N.Y., and American National Bank, Nashville, Tenn.

Registrars: Chemical Bank and Trust Company, New York, N.Y., and The Nashville Trust Company, Nashville, Tennessee.

Annual Meeting of Stockholders: March 2, 1942.

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FACTORIES

Nashville, Tennessee
Gallatin, Tennessee (Two)
Tullahoma, Tennessee (Two)
Lewisburg, Tennessee
Hohenwald, Tennessee
Atlanta, Georgia
Pulaski, Tennessee
Frankfort, Kentucky
Cowan, Tennessee
Lawrenceville, Georgia

SALES DIVISIONS

Jarman Shoe Company
Richland Shoe Company
Davidson Shoe Company
Belle Meade Shoe Company
Dominion Shoe Company
Edgewood Shoe Factories
Kingston Shoe Company
Statler Shoe Company
Barrett Shoe Company
Sewanee Shoe Company
Republic Shoe Company
Little Welt Shoe Company

Jarman
SHOES FOR MEN

This Pair Is Not For Sale

We had this particular shoe finished in gold, not to be worn, of course, but to bring out as distinctively as possible the lines of this new Jarman Style.

Beneath the 24-Carat exterior of these golden brogues is a fine, mellow leather—preserved here as a permanent symbol of authentic men's shoe styling in the year 1941.

Jarman has for years been a synonym for men's correct footwear. That fact, we know, is one reason why more men wear Jarman Shoes today than any other brand in this price range, $5.00 to $7.85, most styles.

Jarman Shoe Company
Division of General Shoe Corporation
Nashville, Tennessee

NINETEEN FORTY-ONE

ADVERTISING

● Reproduced here is the full page Jarman advertisement which ran in the August 18 issue of Life Magazine, opening Jarman's Fall and Winter national advertising campaign. This ad was followed by a full page in Collier's and two full page, color ads in Esquire—each featuring the "24-Carat Styling" theme.

The pair of shoes shown in this Life ad was actually plated with 24-carat gold and photographed in natural color. Nearly five hundred of these gold-plated shoes were shipped to Jarman dealers throughout the country for merchandising tie-ups with the national campaign. Letters and comments from hundreds of consumers and dealers have complimented the showmanship and effectiveness of the program.

For Spring, Jarman color advertisements will appear in Life, Collier's, Saturday Evening Post, Esquire and Time. Orders for dealer collateral advertising material have been coming in stronger than ever—a good indication of another highly successful advertising season.